

Virginia Information Technologies Agency



# VITA Quarterly Report

July 1, 2004



*expect the best*

*March – June 2004*

In keeping with our commitment to cost savings, this report was produced in limited quantities, in-house, utilizing an existing color printer and binding equipment.

Prepared and Published by:  
**Virginia Information Technologies Agency**

Comments and recommendations on the Quarterly Report from all interested parties are welcomed and encouraged. Suggestions may be conveyed electronically to [ContactUs@vita.virginia.gov](mailto:ContactUs@vita.virginia.gov).

Please submit written correspondence to:

Lemuel C. Stewart, Jr.  
Chief Information Officer of the Commonwealth  
Virginia Information Technologies Agency  
411 E. Franklin Street, Suite 500  
Richmond, VA 23219

This report is available online at:  
[www.vita.virginia.gov](http://www.vita.virginia.gov)

### About the Cover:

VITA equals people first, is customer-driven and customer-focused, and is committed to growing its people through ongoing training/re-training throughout their professional careers. In our logo, we highlight individuals of our agency that make VITA a success seven days a week, 365 days a year. We are currently featuring the following outstanding VITA employees in our logo (from left to right): Jerry Simonoff, Director of Strategic Management Services; Shaunda Triggs, Enterprise Service Director and leader of the Medium and Large Agency Transition Teams; Barry Price, Computer Operations Manager; and Deborah Dodson, Director of Business Systems Services. Their combined state service represents nearly 65 years of contributions to the Commonwealth.



# Table of Contents

<b>Quarterly Highlights .....</b>	<b>1</b>
VITA Business Plan.....	1
PPEA Proposals .....	1
Direct Bill Methodology .....	2
Medium Agency Integration .....	2
Actions of the IT Investment Board .....	2
April 7, 2004 .....	2
May 5, 2004 .....	3
June 1, 2004 Strategic Planning Session.....	3
June 2, 2004 .....	4
Future Meetings .....	4
 <b>Phased Agency Transitions.....</b>	 <b>5</b>
Medium Agency Transition.....	5
Large Agency Transition.....	6
 <b>Organization.....</b>	 <b>8</b>
VITA Integration Staffing Plan.....	8
VITA Organizational Realignment .....	8
Agency Customer Contact .....	10
Enterprise Service Directors.....	10
Service Level Directors .....	11
Agency IT Resources .....	11
Phased Transition of Large Agency Employees.....	11
 <b>Infrastructure Initiatives .....</b>	 <b>13</b>
VITA Base Services .....	13
Base Service Improvements .....	13
Data Center Operations.....	13
Capitol Campus Construction .....	14
New Services .....	14
Continuity of Operations Planning (COOP).....	14
Learning Management System (LMS) .....	15

Statewide Alert Network (SWAN) .....	15
Enterprise Licensing .....	16
Enterprise Geographic Information Systems (GIS) .....	16
Government to Government (G2G) Human Services Interface (HSI) .....	17
<b>Technology Management .....</b>	<b>18</b>
Strategic Planning and Portfolio Management .....	18
Commonwealth IT Project Portfolio .....	18
Program Management .....	20
Project Oversight and Reporting .....	22
PPEA Opportunities .....	23
<b>Finances .....</b>	<b>25</b>
Administrative Fee Approval .....	25
VITA Startup Funds .....	25
Savings Report .....	26
Quick Wins .....	27
Expenditure Estimates by Fund .....	28
Financial Statements .....	28
Combined Balance Sheet for Internal Service Funds .....	29
Combined Statement of Revenues, Expenses, and Changes in Net Assets for Internal Service Funds .....	30
Combined Statement of Cash Flows for Internal Service Funds .....	31
Combined Statement of Revenues, Expenses, and Changes in Net Assets for Enterprise Funds .....	32
Combined Statement of Revenues, Expenses, and Changes in Net Assets for General and Special Funds through January 1, 2004 .....	33
Assumptions Used .....	33
Internal Service Funds .....	33
Other Funds .....	33
Cash Flow Projections .....	33



## Quarterly Highlights

Governor Mark R. Warner's Executive Order 50 (03) directs the Secretary of Technology or the Chief Information Officer (CIO) of the Commonwealth to prepare Quarterly Reports providing the status of IT reform implementation. This document represents the quarterly submission due July 1, 2004, covering the period March 16, 2004, to June 15, 2004 (except where noted).

### VITA Business Plan

The draft VITA Business Plan developed in March was approved with modifications by the IT Investment Board on April 7. The Final VITA Business Plan was published in late April and distributed on May 5. As the primary business planning document for VITA, the plan incorporates the following:

1. VITA's mission, vision, and five-year objectives.
2. A market analysis, including a customer analysis.
3. A development strategy describing the implementation of new services and the revised pricing strategy.
4. A description of the organization, including scope of operations and service delivery.
5. A financial section with information on projected costs and revenues.

The VITA Business Plan will be updated at least annually, as directed by the IT Investment Board. The Plan supersedes the VITA Operating Plan (August 2003) and is the foundation for future Quarterly Reports. The final VITA Business Plan is available online at: <http://www.vita.virginia.gov/docs/pubs/businessPlan/businessPlan.cfm>.

### PPEA Proposals

In keeping with the staged approach to Integration and Transformation activities, VITA has begun Transformation planning efforts. Transformation—the physical consolidation of IT infrastructure, possible realignment and relocation of staff, and transformation of our IT environment—requires significant upfront investment and careful planning. VITA is looking to establish one or more innovative public/private partnerships and is actively considering proposals submitted through the Public Private Education Facilities and Infrastructure Act of 2002 (PPEA).

On June 1, VITA posted to its Web site four proposals received under PPEA and invited submission of competing proposals by August 2. More information about the PPEA process, the proposals received, and next steps is available in the Technology Management section of this report and online at <http://www.vita.virginia.gov/ppea/aboutppea.cfm>.

## Direct Bill Methodology

The Joint Legislative Audit and Review Commission (JLARC) approved VITA's direct bill methodology and request to establish an administrative fee of 5.52 percent to support VITA's integration efforts. The administrative fee represents, on average, 0.1 percent of the total budget for an agency. Agencies will only pay for services they request and approve, and VITA will bill the agencies for those direct costs plus the administrative fee. VITA's goal is to identify and capture cost savings to offset the administrative fees paid by customer agencies. More information about the administrative fee and direct bill methodology is in the Finances section of this report.

## Medium Agency Integration

VITA and the Medium Agency Transition Team (MATT) have successfully completed the Integration of 22 medium agencies to VITA support and services, effective July 1. In addition, the Virginia Department of Transportation signed its agreement with VITA, also effective July 1. As a result, 227 positions will transfer to VITA effective June 25, to coincide with the Commonwealth's payroll cycle. More information about the medium agency and VDOT transitions follows in the Phased Agency Transition section of this report.

## Actions of the IT Investment Board

During the reporting period for this Quarterly Report (March 16 – June 15, 2004), the Information Technology Investment Board (ITIB) held three meetings and a planning retreat. A summary of actions taken at each meeting is provided below.

### April 7, 2004

- Deputy Secretary of Technology Eugene Huang presented the Computerworld Honors medal for VITA to CIO of the Commonwealth Lem Stewart. VITA was recognized by the Computerworld Honors Program April 4 for two case studies: *Virginia's Transformation: Statewide IT Consolidation Strategy* and a joint submission with Virginia State Police, *TIPS- Tactical Intelligence Processing System*. The press release is available at [http://www.vita.virginia.gov/news/vitaBulletins/2004bulletins/Computerworld\\_Honors.pdf](http://www.vita.virginia.gov/news/vitaBulletins/2004bulletins/Computerworld_Honors.pdf).
- Received and approved a report from the CIO of the Commonwealth on finances, billing, agency transitions, VITA organization changes, "quick win" initiatives and projected savings, and the Public/Private Educational Facilities and Infrastructure Act of 2002 (PPEA). His presentation is available at [http://www.vita.virginia.gov/ITIB/docs/040407/CIO\\_Status\\_Report.ppt](http://www.vita.virginia.gov/ITIB/docs/040407/CIO_Status_Report.ppt).
- Received a presentation by VITA Staff Dan Ziomek on the management and governance of the PPEA process and discussed Board involvement and decision-making. His presentation is available at [http://www.vita.virginia.gov/ITIB/docs/040407/VITA\\_PPEA\\_Process.ppt](http://www.vita.virginia.gov/ITIB/docs/040407/VITA_PPEA_Process.ppt).

- Approved the VITA Business Plan with modifications. The Plan is to be updated on an annual basis. The Final VITA Business Plan is available at [http://www.vita.virginia.gov/docs/pubs/businessPlan/VITA\\_Business\\_Plan.pdf](http://www.vita.virginia.gov/docs/pubs/businessPlan/VITA_Business_Plan.pdf).
- Approved the VITA Direct Bill Methodology and the Shared Rate Development Methodology Summary for release to the Joint Legislative Audit and Review Commission (JLARC) for further review and approval. The methodologies are available at [http://www.vita.virginia.gov/ITIB/docs/040407/Direct\\_bill\\_methodology.pdf](http://www.vita.virginia.gov/ITIB/docs/040407/Direct_bill_methodology.pdf) [http://www.vita.virginia.gov/ITIB/docs/040407/Shared\\_Rate\\_Methodology.pdf](http://www.vita.virginia.gov/ITIB/docs/040407/Shared_Rate_Methodology.pdf).
- Approved the Proposed Methodology for Identifying and Capturing Savings for release to the Secretary of Finance for approval. The savings methodology can be seen at: [http://www.vita.virginia.gov/ITIB/docs/040407/Savings\\_methodology.pdf](http://www.vita.virginia.gov/ITIB/docs/040407/Savings_methodology.pdf).

## May 5, 2004

- Received and approved an oral report from the CIO of the Commonwealth on medium and large agency transitions, finances, procurement, and the Digital States Survey submission.
- Approved the VCU Administrative System Replacement project and the VDOT Roadway Network System (with two contingencies). For information on these projects, see <http://www.vita.virginia.gov/ITIB/docs.cfm> under the May 5th IT Project Review Committee.
- Discussed PPEA proposals in Executive Session. Four members recused themselves from the PPEA approval process, citing potential conflict of interest: Board Chairman George C. Newstrom, Jim McGuirk, Chris Caine, and John Lee, IV.

## June 1, 2004 Strategic Planning Session

- Convened in Northern Virginia for a day-long strategic planning session facilitated by John Kost, Managing Vice President for Gartner Research and former CIO of Michigan.
- Received a presentation on IT management in government from Mr. Kost. It is available at <http://www.vita.virginia.gov/ITIB/docs/VITA060104-ITIBStrategicPlanningSession.ppt>.
- Received a presentation from the CIO of the Commonwealth on business and technology level-setting and horizon scan. It is available at <http://www.vita.virginia.gov/ITIB/docs/ITIBRetreatJune12004Merged.ppt>.
- Discussed direction and progress of the Board since its inception in August 2003. Board governance issues to be collected by Vice Chairman Mary Guy Miller for discussion at the July 7 meeting.

## June 2, 2004

- Reconvened for its business meeting in Northern Virginia the day after the planning session.
- Received and approved a report from the CIO of the Commonwealth with updates on PPEA, DHRM classification study, APA action plan, transition status, financials, and savings information. His report is available at <http://www.vita.virginia.gov/ITIB/docs/June02CIOReport.ppt>.
- Directed the CIO of the Commonwealth to send a letter to the Commonwealth's Attorneys' Services Council requesting submission of a plan detailing transition and milestones to bring them into compliance with VITA transition.
- Decided to meet on a bimonthly (every other month) basis, beginning July 2004, for the remainder of the calendar year. Meetings scheduled for August, October, and December are "on hold" in the event ad hoc meetings are necessary.

## Future Meetings

Meetings of the IT Investment Board are typically held in the fourth floor auditorium at VITA Central. Meetings for the upcoming quarter are scheduled for July 7 and September 1. Information on Board meetings, including Committees, is available at <http://www.vita.virginia.gov/ITIB/meetings.cfm>.





# Phased Agency Transitions

## Medium Agency Transition

To aid medium agencies with transition activities, VITA established a Medium Agency Transition Team (MATT) that met bi-weekly January through May. A core team of VITA functional experts guided the MATT, comprised of agency personnel, through transition deliverables. Select Virginia Department of Transportation (VDOT) District IT Managers represented medium agencies that did not have senior IT personnel to lead transition activities.

MATT personnel guided the transitioning agencies through integration activities and facilitated focused agency dialogue that highlighted agency-specific situations requiring deviation or special transition consideration. These one-on-one meetings provided transitioning agencies the opportunity to discuss the specific details of their transition.

Consistent with the three-staged transition approach (Formation, Integration, and Transformation), VITA transition activities are clearly delineated so as to focus on Integration activities, as separate and distinct from later Transformation initiatives. Similar to previous transition plans, the Integration stage includes managing the transition of people and assets without disruption to service. Also consistent with small agency integration, medium agencies were required to adhere to a minimum set of technical requirements directed toward legal compliance. The VITA Standardization and Optimization (S&O) activities sheet details technical requirements consistent with best practice and the statewide security policy, SEC2001.

Legislation requires that all medium-sized agencies transition to VITA support on or before July 1, 2004. Exhibit A provides a list of medium agencies (and VDOT) that are transitioning to VITA on July 1.

### Exhibit A Agencies Transitioning to VITA on July 1, 2004

#### Administration

129 Dept. of Human Resource Management	131 Department of Veterans Services
--	-------------------------------------

#### Commerce & Trade

411 Department of Forestry	409 Department of Mines, Minerals, & Energy
165 Dept. of Housing & Community Development	222 Dept. of Prof. & Occupational Regulation
181 Department of Labor & Industry	

#### Education

218 VA School for the Deaf & the Blind, Staunton	425 Jamestown-Yorktown Foundation
219 VA School for the Deaf, Blind & Multi-Disabled at Hampton	202 The Library of Virginia
	238 Virginia Museum of Fine Arts
201 Department of Education	146 The Science Museum of Virginia

## Finance

151 Department of Accounts

152 Department of the Treasury

## Health & Human Resources

223 Department of Health Professions

602 Department of Medical Assistance Services

## Natural Resources

402 Marine Resources Commission

## Public Safety

140 Department of Criminal Justice Services

123 Department of Military Affairs

## Transportation

501 Virginia Department of Transportation (large) 407 Virginia Port Authority (Exempted by 2004 Appropriation Act)

# Large Agency Transition

Taking lessons-learned from small and medium agency transition, the Large Agency Transition Team (LATT) was established in May 2004. Similar to the MATT, the LATT consists of agency personnel that will be guided through transition activities by a core team of VITA functional experts.

The LATT kickoff was held June 9 with the distribution of a notebook detailing Integration activities and deliverables. Preparing for the complexity of large agencies, VITA functional experts will visit each large agency and hold day-long discussions to work through transition details and answer questions. Exhibit B displays the preliminary large agency transition schedule.

While the medium agencies and VDOT all come on board effective July 1, having a single date for large agency transition was not feasible due to the size, complexity, and logistics involved. As such, the large agency transition schedule is staggered over four months (August through November). The schedule was thoughtfully developed, taking into account information received by agencies about any "blackout" dates that could place their business priorities at risk. VITA also took into account numerous other factors, such as the numbers of employees transitioning, complexity, financial impact, and holiday schedules. The schedule was distributed to agency heads as well as participants in the LATT kickoff meeting on June 9.

**Exhibit B**  
**Preliminary Large Agency Transition Schedule**

Agency Name		VITA On-Site Workshop	VITA On-Site Deliverables Review	Transition Overview Sign-off & Final Deliverables Due	Effective Transition Date
<b>WAVE 1</b>					
<b>1</b>	<b>Social Services, Dept. of Comp. Services for At-Risk Youth &amp; Families (Small)</b>	6/25/2004 6/25/2004	7/20/2004 7/20/2004	8/23/2004 8/23/2004	9/25/2004 9/25/2004
<b>2</b>	<b>Conservation and Recreation, Dept. of Chippokes Plantation Farm Foundation(Small)</b>	6/28/2004 6/28/2004	8/2/2004 8/2/2004	8/23/2004 8/23/2004	9/25/2004 9/25/2004
<b>3</b>	<b>Alcoholic Beverage Control, Dept. of</b>	6/29/2004	7/29/2004	8/23/2004	9/25/2004
<b>4</b>	<b>Health, Dept. of Aging, Dept. of (Small)</b>	7/1/2004 7/1/2004	7/27/2004 7/27/2004	8/23/2004 8/23/2004	9/25/2004 9/25/2004
<b>5</b>	<b>Corrections, Dept. of</b>	7/6/2004	7/15/2004	8/23/2004	9/25/2004
<b>6</b>	<b>Mental Health, Mental Ret. &amp; Sub. Abuse Svcs., Dept. of</b>	7/12/2004	8/10/2004	8/30/2004	9/25/2004
<b>WAVE 2</b>					
<b>7</b>	<b>General Services, Dept. of</b>	7/14/2004	8/12/2004	9/20/2004	10/25/2004
<b>8</b>	<b>Motor Vehicles, Dept of</b>	7/19/2004	8/17/2004	9/20/2004	10/25/2004
<b>9</b>	<b>Game and Inland Fisheries, Dept. of</b>	7/26/2004	8/25/2004	9/20/2004	10/25/2004
<b>10</b>	<b>Agriculture &amp; Consumer Services, Dept. of</b>	7/28/2004	8/24/2004	9/27/2004	10/25/2004
<b>11</b>	<b>Environment Quality, Dept. of</b>	8/3/2004	9/2/2004	9/30/2004	10/25/2004
<b>WAVE 3</b>					
<b>12</b>	<b>Correctional Education, Dept. of</b>	8/9/2004	9/1/2004	10/18/2004	11/25/2004
<b>13</b>	<b>Rehabilitative Services, Dept. of Disabilities, Virginia Board for People with (Small) Blind and Vision Impaired, Department for the (Med) Deaf &amp; Hard of Hearing, Dept. of the (Small) Protection and Advocacy, Virginia Office for (Small)</b>	8/11/2004	9/16/2004	10/18/2004	11/25/2004
		8/11/2004	9/16/2004	10/18/2004	11/25/2004
		8/11/2004	9/16/2004	10/18/2004	11/25/2004
		8/11/2004	9/16/2004	10/18/2004	11/25/2004
		8/11/2004	9/16/2004	10/18/2004	11/25/2004
<b>14</b>	<b>Employment Commission, Virginia</b>	8/16/2004	9/20/2004	10/18/2004	11/25/2004
<b>15</b>	<b>Taxation, Dept. of</b>	8/23/2004	9/13/2004	10/18/2004	11/25/2004
<b>16</b>	<b>Juvenile Justice, Dept. of</b>	8/26/2004	9/22/2004	10/18/2004	11/25/2004
<b>17</b>	<b>State Police, Dept of</b>	8/30/2004	9/27/2004	10/25/2004	11/25/2004



# Organization

## VITA Integration Staffing Plan

VITA continues to follow the VITA Integration Staffing Plan outlined in the April 2004 Quarterly Report. The Integration Staffing Plan emphasizes maintaining stability in operations and assignments, allowing both VITA's new customers and its new employees to become comfortable with their respective new roles with minimal changes in their day-to-day environment.

## VITA Organizational Realignment

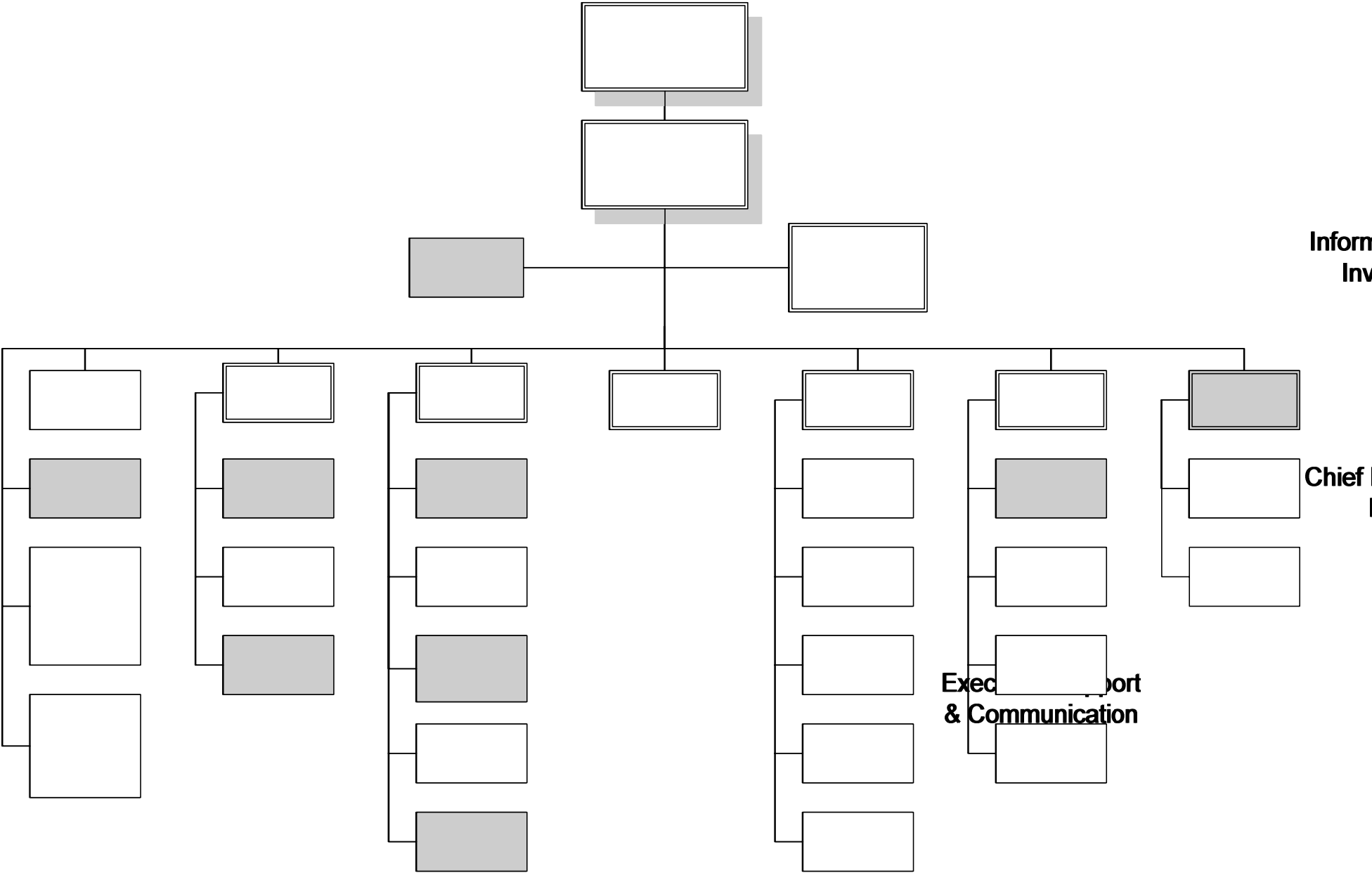
CIO of the Commonwealth Lem Stewart realigned the VITA organization internally to streamline decision-making. For planning, reporting, and coordinating purposes, the directorates were compressed into six functional areas with a single lead for each area, effective April 5. The six functional areas are:

- Accountability (Includes audit)
- Business Systems (Includes Business Systems Services)
- Customer Services (Includes Customer Support Services, Computer Services, and Telecommunications & Networking Services)
- Finance (Includes Financial Management Services and Supply Chain Management)
- Governance (Includes Strategic Management Services and Security Services)
- Human Resource Management Services (Includes Human Resource Management)

The revised high-level organization chart is available in Exhibit C on the following page. The chart also highlights the three boards and councils for which the CIO of the Commonwealth is responsible. Areas shaded in gray represent new roles or significant changes.

More information about the organization, including functional descriptions of each area, can be found at <http://www.vita.virginia.gov/about/organization.cfm>.

Exhibit C  
VITA Organization April 2004



# Agency Customer Contact

VITA must establish and maintain close bonds with agencies to fulfill IT requirements and move the Commonwealth forward. VITA has established a customer contact framework and leadership structure to provide the necessary support to agencies and customer-based employees and to ensure high quality service delivery.

There are three primary points of contact, including Enterprise Service Directors (ESDs) and Service Level Directors (SLDs) from VITA, and Agency IT Resources (AITRs) from customer agencies. These positions are responsible for the overall management of IT services for customer agencies, identifying opportunities that will benefit multiple agencies, and ensuring careful management and communication between and among agencies. Their role is to ensure that IT services and support are fully aligned with the Commonwealth's business objectives and missions. Contact information for ESDs, SLDs, and AITRs is available at <http://www.vita.virginia.gov/jobs/esdInfo.cfm>.

## Enterprise Service Directors

VITA has assigned Enterprise Service Directors (ESDs) to each Secretariat to build these strong partnerships as part of the Integration stage. ESDs are VITA employees who are the principal service advocates for the Secretariats they represent. There is typically one ESD per Secretariat, though some ESDs represent two Secretariats. ESDs work to identify and promote opportunities for efficiencies and savings, ensure alignment between business needs and IT services, work with Cabinet and agency executive managers, and build relationships between and among Secretariats. ESDs supervise the Service Level Directors.

All seven ESDs were hired between April and June 2004. To facilitate efforts to explore synergies, ESDs established Cabinet Technology Teams (CATTs) for their respective Secretariats. The CATT is typically co-chaired by the Deputy Secretary and ESD and includes SLDs and AITRs as members. The purpose of the CATT is to develop a cohesive voice for technology throughout the Secretariat and to resolve issues, provide support among the agencies in the Cabinet, and to partner with VITA on new initiatives.

### Exhibit D Enterprise Service Director Assignments

ESD	Secretariat(s)
Dee Piscella	Administration Finance
Shaunda Triggs	Commerce & Trade
Debbie Secor	Education Technology
Fred Duball	Health & Human Resources
Linda Smithson	Natural Resources
Barry Condrey	Public Safety
Tom Bradshaw	Transportation

## Service Level Directors

Service Level Directors (SLDs) are also VITA employees. SLDs manage day-to-day operations and service provision for the agencies they represent. Most will work on-site at a single agency, while others may represent several smaller agencies. They supervise VITA employees located on-site and report directly to the ESDs. SLDs work closely with the management teams of customer agencies to ensure service delivery is satisfactory.

Four of eight on-site Service Level Directors originally mapped to transition to VITA were deemed out-of-scope at the transitioning agency's request. VITA will hire three Service Level Directors to represent 26 small agencies and four medium agencies; each large agency will have an assigned Service Level Director.

## Agency IT Resources

Agency IT Resources (AITRs) are employees of VITA's customer agencies. The *Code of Virginia* requires each executive branch agency to designate an AITR to serve as a liaison between their agency and VITA for strategic planning purposes. AITRs are not necessarily technical staff; they are typically at a senior level in their agencies and have a solid understanding of their agencies' core missions, businesses, and technical environments. In addition to authorizing IT expenditures for their agencies, AITRs work collaboratively with SLDs and ESDs to identify opportunities and achieve service improvements.

## Phased Transition of Large Agency Employees

During medium agency transition, VITA emphasized meeting face-to-face with employees while performing onboarding tasks, which consist of collecting employees' human resources, payroll, and security paperwork and providing orientation materials. VITA will continue face-to-face meetings with employees as much as possible during the large agency transition. Due to the numbers of employees transitioning in large groups between August and November, it is logistically difficult to facilitate the completion of paperwork in person. To reduce impact on agency employees and promote a virtually paperless process, VITA is developing an onboarding extranet—a secure Web site where employees can review and submit paperwork online.

Scheduled for release in early July, the extranet will house forms, policies, procedures, and other pertinent information for transitioning employees. While some forms, such as the Immigration and Naturalization I-9 form, cannot be submitted electronically, the majority of forms can be handled online at the convenience of agency employees. Forms requiring a witness or execution in hard copy will be collected during employee workshops.

The electronic onboarding process will be available for new hires, permitting future employees the opportunity to fill out a majority of their paperwork, at any location, and have that paperwork submitted prior to their formal orientation. The extranet results in saving time for agency employees and reduces the burden on VITA's Human Resource Management staff. In addition, the emphasis on the employee meetings will be on orientation rather than paperwork.

Exhibit E below shows the number of positions anticipated for transfer to VITA.

**Exhibit E**  
**Employee Transitions to VITA by Phase (Agency Size)**

Agency Size	Positions Scheduled to Transition	Number of Supported Locations
Small (fewer than 100 employees)	5	82
Medium (100-400 employees)	43	149
Large (more than 400 employees)	820	1,266





## Infrastructure Initiatives

### VITA Base Services

As can be seen in Exhibit F below, the VITA Operations Center has met or exceeded all of its performance availability targets. In this Dashboard, availability measures the percentage of time the production servers supporting the environment are available. Scheduled maintenance and downtime is not included in the availability measurement. The measurements reflect only the status of servers and systems at the VITA central data center or controlled by the VITA network staff—it does not include servers and networks at agency locations. These will be measured after the VNIC and VITANet are installed and operational.

**Exhibit F**  
**Infrastructure Services Dashboard**

Description	Target	-----Actual Period-----			Status
		March 2004	April 2004	May 2004	
Production Mainframes (MVS) Availability	99%	100.00%	100.00%	100.00%	Green
Production Mainframes (Unisys)	99%	100.00%	100.00%	100.00%	Green
Production VITA Central Data Center Unix Server Availability	99%	99.99%	99.97%	100.00%	Green
Production VITA Central Data Center Windows Server Availability	99%	99.99%	99.87%	99.99%	Green
Availability of VITA-installed COVANET Circuits	99%	99.30%	99.60%	99.30%	Green

### Base Service Improvements

VITA will continue to provide additional services and service improvements even during the transition process. Activities relating to existing services that improve efficiencies of existing services or reduce costs now and in the future are identified and acted upon in a timely manner. Below are highlights of service improvements that have been completed or are substantially underway.

### Data Center Operations

Several action items related to data center operations, as outlined below, will need to be addressed over the next two years. These scheduled actions not only offer opportunities to improve services and increase efficiencies on their own, but can also provide synergies with other activities taking place during VITA's Integration and Transformation stages.

- **Richmond Plaza Building (RPB) lease**—VITA's current lease expires in December 2004. Negotiations have begun with the building management on the current space and new space in the Richmond Plaza to accommodate projected VITA personnel over the next three years. VITA plans to vacate the 411 Franklin Street location in fall of 2004 to facilitate communications within its management structure.
- **Portable Generator Project**—VITA's data center currently has no long-term alternate power source for use in emergency situations, and conditions are not suitable for the permanent installation of a generator. With financial support from a recent Homeland Security grant, a procurement is underway to secure a portable generator that could be moved into position outside the building when needed. Bids have been received for a construction contract to connect the portable generator to the RPB. Bids are on the street for the portable generator service. Cabling and testing of the system is scheduled for late September, and the project is expected to be closed out in October 2004.

## Capitol Campus Construction

Much renovation and/or reconstruction of state buildings in and adjacent to Capitol Square is either underway, committed, or under consideration. Many current VITA base service customers, as well as "in-scope" customers of new VITA services, are directly impacted by these plans. Most will be moving twice, once into temporary quarters, then into one of the renovated or new structures. While VITA will be responsible for ensuring that existing services are maintained throughout these moves, the construction activities also offer opportunities for cost savings and efficiencies that extend beyond base service operations into the Integration and Transformation stages.

VITA has completed technical designs for DGS and Governor's Office server movement. VITA and DGS will be upgrading and expanding Metropolitan Area Network (MAN) Services in the Richmond area to support this effort. VITA is also in the process of securing a contract for expanded MAN services to support server consolidation, with expected completion in summer of 2004. Technical reviews of servers on the campus are under way for other affected agencies. VITA has tasked a team of technical experts to continue this process and will be moving servers to the RPB in support of the server consolidation effort.

## New Services

### Continuity of Operations Planning (COOP)

Launched in February, VITA is offering a new, critical service for state agencies and institutions of higher education to assist with the development, testing, and maintenance of continuity of operations plans (COOP). COOP planning has been designated a top management objective by Governor Warner to "achieve 100% preparation and testing of agency continuity of operations plans and receive state-level emergency management accreditation through the national certification process."

With a deadline of June 1, VITA worked quickly with the Virginia Information Providers Network (VIPNet) to provide enterprise tools and solutions to assist with developing COOP plans that comply with industry standards. To assist agencies with this important process, VITA acquired an optional, enterprise-wide licensing agreement with COOP Consulting,

L.L.C., a SWAM business (small, woman, or minority-owned) for planning software tools at a significantly reduced rate. The agreement includes licensing for the software, which includes a complete package of templates and a range of training options. Through the Advanced IT Services contracts, VITA is brokering expert service capabilities of consulting firms to assist with the development of continuity plans. For more information about COOP, visit <http://www.vita.virginia.gov/security/coop/coop.cfm>.

## Learning Management System (LMS)

On June 15, the Commonwealth and Meridian Knowledge Solutions, Inc. entered into an agreement to deploy an enterprise learning management system (LMS). The Department of Human Resource Management is the business owner, VITA is the contract holder, and the effort involved participation from six other agencies to leverage the collective buying power of the Commonwealth. The LMS promotes inter-agency sharing of training best practices and course materials and access to learning opportunities through a common portal. Employees across the Commonwealth will login and access Web-based training, enroll in instructor-led training, and access online libraries and references. The system also features content management, knowledge mapping, and promotes collaboration.

The eight participating agencies will collaborate over the next six months to define and customize the system, provide demonstrations to pilot groups, and implement full functionality. The "go live" date for the system is scheduled for January 2005.

## Statewide Alert Network (SWAN)

Governor Warner approved the Secure Virginia Initiative Panel recommendation to develop and deploy an agency and citizen alert notification system to improve the Commonwealth's ability to respond to natural and manmade disasters, including terrorist threats. The Office of Commonwealth Preparedness, in a collaborative and cooperative effort among four agencies and representative localities, established a team to acquire, implement, operate and maintain a state-wide alert notification (SWAN) system.

The purpose of the SWAN is to:

1. Establish a secure, state-wide alert notification system that will provide automated alert messages to users through a variety of formats and media, such as telephone, fax, e-mail, pagers, and other wireless devices.
2. Maximize the ability to connect with other local, state and federal entities and citizens through technology to improve leadership and response to all emergencies.

Through funds provided by the Center for Disease Control and the Department of Homeland Security, the Commonwealth will acquire the technology infrastructure and services associated with the initial installation and implementation of SWAN. Once acquired, installed and implemented, SWAN will become a Commonwealth enterprise system and will be owned and hosted by VITA.

A contract for SWAN was awarded on June 14. Funding has been provided and VITA is in the process of ordering the associated computer and telecommunications hardware and software for installation in VITA during the week of July 26.

## Enterprise Licensing

Within the Commonwealth there are 32 state regulatory entities tasked with providing licensing, permitting, certification and/or registration services to approximately 1.5 million customers. Of those entities, only three offer online licensing solutions, each of which was separately procured. Consequently, a substantial market opportunity exists for an enterprise solution. The opportunity to leverage an enterprise solution is even greater when considering Virginia's local governments. Using an enterprise approach can result in cost savings, improved service delivery, greater efficiencies and reliability, improved access to agencies that could not afford a stand-alone solution, and greatly improved services to citizens.

Under the enterprise approach, VITA and VIPNet will work with the Department of Professional and Occupational Regulation (DPORT) to develop an enterprise licensing solution, including implementation, customization, and maintenance and support costs. This solution will be available to all regulatory agencies and local governments for any licensing, permitting, and certification needs. Hosting of the software solution will be managed by VITA, while the business processes are owned and managed by the agency. VITA/VIPNet will provide a common payment portal that enables customers to pay for the licensing services online via credit card, debit card, or electronic check.

VITA, VIPNet, and DPOR established an enterprise licensing team in June. The team will develop a timeline and workplan, with implementation of the system anticipated before the end of the calendar year.

## Enterprise Geographic Information Systems (GIS)

The Virginia Geographic Information Network (VGIN) Division provides VITA's utility services in the GIS arena. Within the world of geospatial data and services, utility functions include both GIS-specific hardware/software and the "overhead" of gathering, maintaining, and distributing common data layers (land use, roadways, etc.) used by multiple agency-specific applications. This combination of GIS hardware, software, and common data layers, usable by many agencies for many business purposes, constitutes a true enterprise service.

During FY 05, VITA/VGIN will stand-up an enterprise geographic information system for Virginia, the Virginia GIS, consolidating these GIS overhead functions within VITA. Benefits will include maximizing cost savings, leveraging existing independent resources to maximum benefit, and providing a platform for consolidating partnerships with federal and local governments and the private sector.

The Virginia GIS will also allow the Commonwealth to immediately leverage a \$685,000 Homeland Security grant for the Virginia Readiness, Recovery, and Response (VR3) GIS, to meet high priority emergency response needs at local, state, and federal levels. Leveraging available state GIS resources (an estimated 45 staff and \$4.5 million in direct annual costs) into a collaborative enterprise system serving the entire Commonwealth—state and local agencies, E-911 initiatives, and Homeland Security—can be another breakthrough success in transforming how state government does business, putting Virginia in a leadership role in this growing application of technology.

The Virginia GIS will be a comprehensive statewide database, with content, accuracy, and scales determined through consensus with users of the critical state and local services to

which it will be applied. Administration of the Virginia GIS will be provided by VGIN in collaboration with VGIN's state agency working groups, the VR3 governance committee, and VGIN's 16 local government working groups.

## Government to Government (G2G) Human Services Interface (HSI)

With the Government to Government (G2G) Human Services Interface (HSI) project, VITA is collaborating with localities and the Department of Social Services (DSS) to host a shared application providing an avenue for local governments to exchange data efficiently among multiple state systems. DSS will be the Commonwealth business owner and VITA will be the service provider for the enterprise initiative. Currently, each user must manually log into each of several systems and run queries to obtain the data required to support provision of social services to citizens.

With HSI, the user will log into a single system. The HSI will collect the information on a single screen, format the queries, log into the necessary state systems, transmit the queries, receive individual responses, and present a consolidated response to the eligibility worker. HSI will be "non-intrusive" in that it requires no changes to the state systems. The system is expected to radically improve the efficiency of those users who must gather data from multiple state systems and result in significant cost savings.

VITA is in the process of developing service rates and service agreements, and expects to have the service available in November.



# Technology Management

## Strategic Planning and Portfolio Management

The *Code of Virginia* requires a process for the submission of agency IT plans to the CIO for approval. The *Code* also calls on the ITIB to report its recommendations for funding priorities for major IT projects to the Governor and General Assembly every September 1. As the agency IT plan submissions provide input into the recommended major IT projects report, a tight timetable for accomplishing all the necessary intermediate steps is required.

For the 2004 report cycle, agencies were permitted to amend their IT plans, to add additional major IT projects for consideration in the upcoming September 1 report, through June 14. 51 agencies took advantage of this plan update opportunity, adding a total of 18 major IT projects to their respective plans. The 18 new major IT projects, as well as project cancellations and reclassifications submitted in the plan updates, are currently being evaluated and will appear in the next quarterly report.

The remaining 2004 timetable for Strategic Planning and Portfolio Management activities is shown in Exhibit G.

### Exhibit G

#### Proposed Recommended Technology Investment Projects Report Timetable

Milestone	Timetable
Deliver "Recommended Technology Investment Projects Report" to ITIB	July 2004
Publish IT Strategic Planning and Portfolio Management Standard	Sept 2004
Deliver "Recommended Technology Investment Projects Report" to Governor and General Assembly	Sept 2004
Procure an IT Investment Portfolio Application	Nov 2004
Implement IT Investment Portfolio Application	April 2005

## Commonwealth IT Project Portfolio

The Commonwealth IT Project Portfolio is a dynamic collection of proposed and active major technology projects. Currently projects within the IT Project Portfolio are divided into ten categories to support analytical review and life-cycle management of the portfolio. Exhibit H is a tabular depiction of the project portfolio showing the number of projects in, and dollar value of, each category.

Dividing the IT Project Portfolio into ten categories facilitates tracking projects through the project life cycle and periodic reporting to the IT Investment Board. The projects in the "Approved for Development" category are delineated separately to specifically highlight quarterly actions by the IT Investment Board.

**Exhibit H**  
**Commonwealth Major IT Project Portfolio Summary**  
**as of June 15, 2004**

	No. of Projects	Project Cost (Estimate At Completion)
Identified for Preliminary Planning	35	\$245,640,461
Recommended for Planning	2	\$6,900,000
Approved for Planning (by CIO)	84	\$242,916,870
Recommended for Development Approval (by Secretarial Oversight Committee & CIO)	0	\$0
Approved for Development (by IT Investment Board)	2	\$16,614,500
Active Projects	35	\$940,736,671
Suspended Projects	3	\$21,213,000
Completed Projects (previously Projects Pending Closeout)	6	\$77,060,973
Cancelled Projects	0	\$0
ITIB Terminated Projects	0	\$0
<b>Commonwealth Totals</b>	<b>165</b>	<b>\$1,544,182,425</b>

Exhibit I provides summary statistics by category of net changes to the IT Project Portfolio since the April 2004 VITA Quarterly Report. During the last quarter the total number of projects in the portfolio decreased by one and the total value decreased by \$23.2 million. The total number of active projects also decreased by four, with the value of all active projects also dropping by \$27.71 million. Agencies were also successful during the past three months in moving 44 of the 47 projects previously in the Recommended for Planning category to Approved for Planning status by receiving CIO approval of their Agency IT Strategic Plans. Whether significant numbers of the 84 projects now gathered in that Approved for Planning category can move forward to development will depend in large part on availability of funds.

**Exhibit I**  
**Changes in the IT Project Portfolio**  
**March 15 – June 15, 2004**

Portfolio Category	Net Change in # of Projects	Net Change in \$\$ Value* (in millions)
Identified for Preliminary Planning	+5	-\$4.27
Recommended for Planning	-47	-\$166.11
Approved for Planning (by CIO)	+44	+\$146.31
Recommended for Development Approval (by Secretariat Oversight Committee & CIO)	0	\$0.00
Approved for Development (by IT Investment Board)	-2	-\$8.16
Active Projects	-4	-\$27.71
Suspended Projects	+1	+\$18.61
Completed Projects (previously Projects Pending Closeout)	+4	+\$9.62
Cancelled Projects	0	\$0.00
ITIB Terminated Projects	0	\$0.00

\* Change in Total Dollar Value of Project Cost (Estimated at Completion)

## Program Management

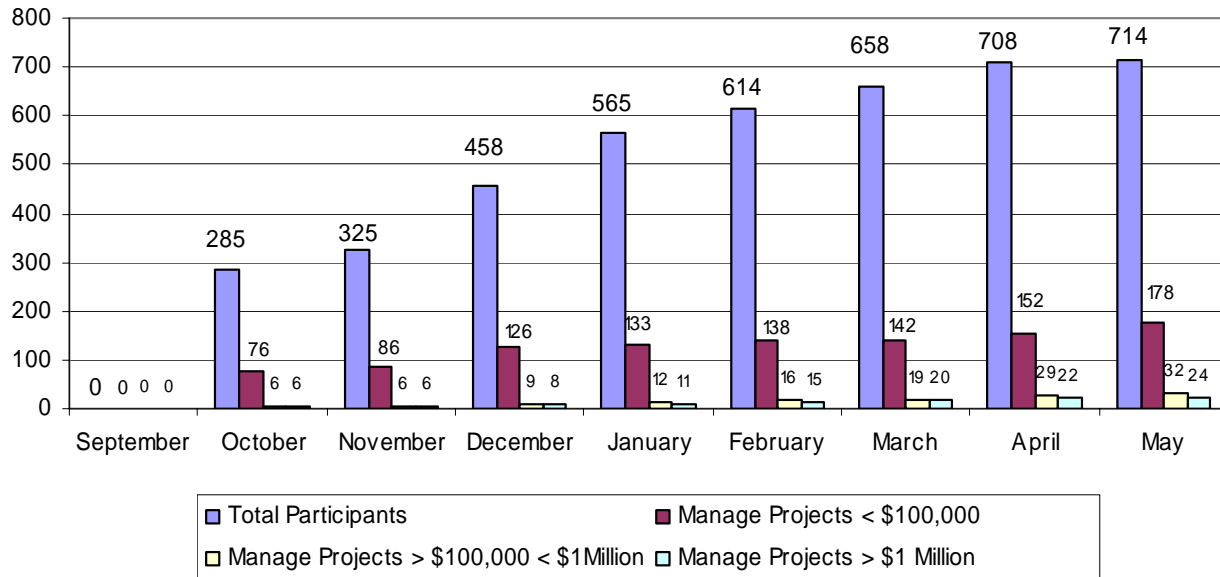
Over the last quarter, VITA staff has continued to refine the various components of Program Management to meet specific *Code* mandates, including:

- A very cost-effective Project Manager Development Program (PMDP), with over 700 participants registered to date (see <http://www.vita.virginia.gov/ittrain/pmdev/pmdev.cfm>);
- A business-based approach to evaluating proposed major IT projects, including use of a “balanced scorecard” (see <http://www.vita.virginia.gov/projects/IntBalScorcdDecCriteria.v4.pdf>);
- An Information Clearinghouse for best practices and lessons learned in project management (see <http://www.vita.virginia.gov/itTrain/pmDev/PrjMgmtClearingHouse.cfm>).

Participation in the Project Manager Development Program continues to grow steadily. Results to date, in terms of numbers of participants and those meeting qualification requirements for various levels of projects, are shown in Exhibit J. A similar growth pattern in meeting the various levels of qualification requirements is expected over the next quarter.



### Exhibit J PMDP Participants Meeting Qualifications



Remaining Program Management milestones are listed in Exhibit K. As noted below, the timetable for achieving several milestones has been impacted by resource constraints, including both the availability of general funds and the assignment of personnel to high priority Integration and PPEA activities.

### Exhibit K Program Management Timetable

Milestone	Timetable
Publish Commonwealth Project Management Standard	Aug 2004
Develop and Implement Web-based Project Proposal and Charter Submission process	Jan – Apr 2005
Review and revise PM Guidelines	Apr – Sep 2004
<b>Continue Development and Implementation of Information Clearing House:</b>	
Deliver best practices and lessons learned capability	Completed
Deliver project manager bulletin board	Completed
Deliver PM news and recognition page	Completed
Deliver major projects information search capability	TBD resource constraints
Deliver vendor information search capability	TBD resource constraints
Deliver new developments page	TBD resource constraints
Deliver project mentor page	TBD resource constraints
<b>Project Manger Development Program:</b>	
Revise Commonwealth PM Overview Training	Jul 2004

Milestone	Timetable
Provide Commonwealth PM Overview Training	Aug & Nov 2004
Implement Project Mentorship Component of PMDP	TBD resource constraints
Complete Phased Implementation of PM Selection and Training Standard	May 2005

## Project Oversight and Reporting

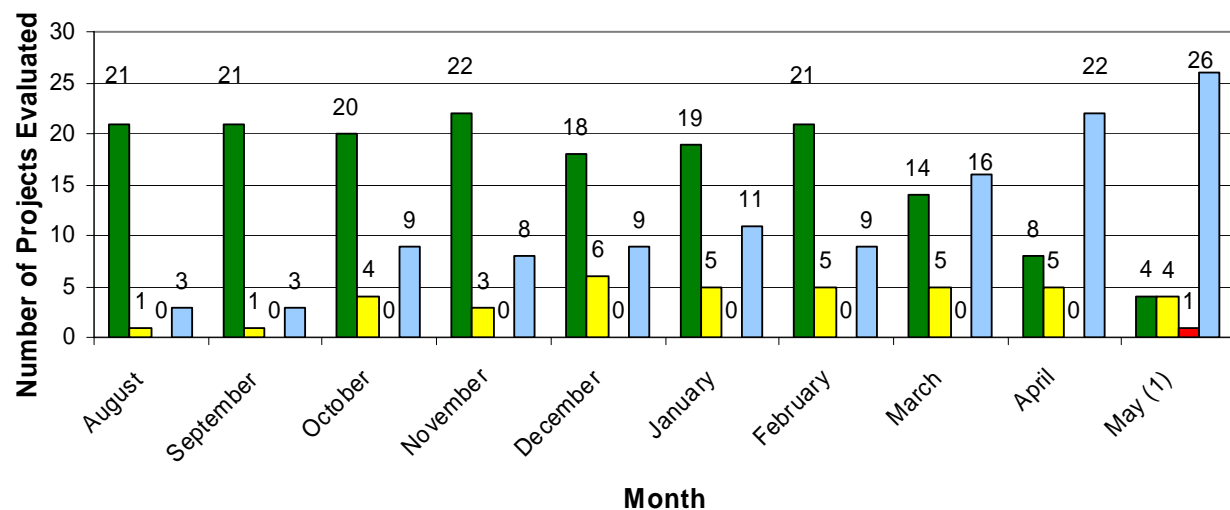
The Commonwealth Major IT Project Status Report Dashboard continues to be the primary management tool for supporting the oversight of major IT projects at all management levels. The Dashboard presents the CIO, sponsoring Secretariats, and proponent agencies with a succinct and timely summary of the status of their major projects.

Each month the overall status of a project is evaluated as either:

- Green: On Track
- Yellow: Warning—consider corrective action or monitor previous corrective action
- Red: Problem—immediate corrective action required
- Blue: Not Evaluated

Exhibit L indicates the status of Dashboard projects for the latest reporting period. Due to lag time in the reporting chain from project manager through agency head to cabinet secretary, later months tend to show higher “Not Evaluated” totals.

**Exhibit L**  
**Major IT Projects Status Dashboard Evaluation Summary**



(1) Current reporting period; May status reports are received throughout June.

Several factors contribute to the number of projects shown as Not Evaluated. These factors are being addressed in a currently ongoing audit of the Dashboard entries being conducted by the Project Management Division, which will produce recommended refinements to the

Dashboard process. The Division will also present to the IT Investment Board a proposal for a more consistent and comprehensive Independent Verification and Validation (IV&V) program for major IT projects. It is anticipated that the revised IV&V program will both reinforce and increase confidence levels in the timeliness and accuracy of Dashboard reporting.

Version 2 of the Dashboard, containing a number of requested enhancements, is scheduled for rollout in December 2004. Exhibit M includes the proposed timetable for project oversight and reporting.

### Exhibit M Project Oversight and Reporting Timetable

Milestone	Timetable
Implement Revised Public View of Commonwealth Major IT Project Status Report Dashboard	Completed
Implement Revised Project Management Division/Supply Chain Management APR Process and Tool	July 2004
Complete Commonwealth Major IT Project Status Report Dashboard Audits	Completed
Implement Version 2 of the Commonwealth Major IT Project Status Report Dashboard	April 2005

## PPEA Opportunities

As noted in the April 2004 Quarterly Report, the Public-Private Educational Facilities and Infrastructure Act of 2002 (referred to as PPEA) is one promising vehicle for approaching VITA's future Transformation initiatives. This act allows the Commonwealth's public bodies to consider unsolicited and solicited proposals for innovative approaches to a wide variety of projects, including technology infrastructure initiatives.

VITA received five PPEA proposals in late 2003/early 2004. After an initial review, one proposal was rejected because it did not address VITA's priorities. Four proposals were posted along with an invitation for competing proposals and a listing of VITA PPEA Attributes on June 1, 2004. Those proposals are as follows:

- "Virginia Business Modernization Initiative" proposal submitted by CGI-AMS and partners. The scope of the proposal includes strategic planning; Business Process Reengineering; Organizational Alignment; Technology Modernization including the consolidation of data centers, implementation of enterprise applications, establishment of an enterprise data architecture and implementation of an enterprise-wide application infrastructure; and the management of applications, business processes and information technology through a Shared Service Center and other goods and services.
- "Virginia Consolidated Data Center Initiative," submitted by IBM and partners. The scope of the proposal includes obtaining a new, primary data center; a new secondary data center; data center operations; server management and technology help desk activities and other goods and services.

- “Virginia IT Transformation” proposal submitted by Koll Development Corporation/EDS and partners. The scope of the proposal includes construction of two new data centers, one in Richmond, Virginia and the other in Wise, Virginia; consolidating help desk activities; establishment of a Network Operations Center to manage wide area network, local area network and server resources; infrastructure strategy and standards; data storage strategy; business continuity assessment and planning; implementation resources to facilitate consolidation and migration; project management and other goods and services.
- “Virginia Technology Passport Program” proposal submitted by Northrop-Grumman. The scope of the proposal includes facilities management and consolidation of technology assets in the current VITA data center; construction of a new consolidated operations center in Richmond; provision of disaster recovery services through the Virginia Advanced Shipbuilding and Carrier Integration Center as a Disaster Recovery and Test Center in Newport News, Virginia; establishment of a Customer Support Operations Center in Southwest Virginia; support of the distributed computing environment, statewide network services and enterprise applications; establishment of a structured technology reinvestment and refreshment program; creation of independent quality assurance program office within VITA for transformation program; and other goods and services.

The complete proposals, as well as frequently asked questions and PPEA process information, are available at <http://www.vita.virginia.gov/ppea/ppea.cfm>. Competing proposals are due not later than August 2. In the meantime, the Enterprise Project Management Office is establishing the VITA PPEA Proposal Review Team and developing the Conceptual and Detailed Review processes. Exhibit N summarizes VITA’s PPEA timetable as it has been developed to date.

#### Exhibit N PPEA Opportunities Timetable

Milestone	Timetable
Establish VITA PPEA Management and Governance Process—Presentation to ITIB	Completed
Complete Organization and Implementation of New Enterprise Projects Office	Completed
Award PPEA Consulting Services Contract	Completed
Complete Initial Internal Review of PPEA proposals submitted to VITA	Completed
Establish full review committee for PPEA reviews	Completed
Review and post PPEA proposals	Completed
IT Investment Board PPEA review and update	Completed
VITA PPEA Review Committee Kick-off Meeting	July 2004
Deadline for Submission of Competing Proposals	August 2004
Complete Conceptual Review	Sept 2004
Develop and Submit Course(s) of Action for approval (if one or more proposals is accepted for Detailed Review)	Sept 2004

## Administrative Fee Approval

As previously reported the IT Investment Board approved VITA's proposed direct bill and shared services rate methodologies on April 7. These methodologies support VITA's integration efforts as well as the phased transition of agency-centric systems to consolidated services and related systems shared among multiple agencies. VITA prepared a formal request to JLARC for both methodologies that was approved June 14.

Under the direct bill methodology, agencies will only pay for services they request—and approve—and VITA will bill the agencies for those direct costs plus an administrative fee. The administrative fee is set at 5.52 percent of total IT infrastructure expenses incurred by each agency. The administrative represents, on average, 0.1 percent of the total agency budget. VITA's goal is to identify and capture cost savings sufficient to at least offset for agencies these administrative fees. Any additional savings beyond the offset is planned for direction to the Virginia Technology Infrastructure Fund for future reinvestment. VITA has identified specific initiatives to achieve these savings in FY 2005 and begun implementation.

Under the shared services rate methodology, as VITA moves to consolidated services, rates will be developed for those services based upon a standard methodology. VITA anticipates all services will be provided through shared services rates by mid-2007 at which time the direct bill methodology will be discontinued.

## VITA Startup Funds

The 2004 budget bill requested \$7.3 million in startup funds earmarked for integration and information security initiatives. The funding was not approved by the General Assembly on June 16. VITA is working with the IT Investment Board and the Administration to seek alternative funding options in order to proceed with the implementation of the planned initiatives. Impacted initiatives and activities include:

- Small agency support for FY 2004.
- VITANet Secure Network.
- Customer and desktop services.
- VITA Network Information Center (VNIC) centralized system monitoring project.
- Statewide E-mail Consolidation.

# Savings Report

Since July 2003, VITA has implemented numerous information technology initiatives that have resulted in savings or cost avoidance to Commonwealth agencies. Savings as of May 19, 2004, are shown in Exhibit O below and are projected to continue to occur over the next 6 years or more. The Integration and Transformation of the Commonwealth's disparate IT environment holds the potential for substantial long-term savings by leveraging our collective buying power and improving the quantity and quality of IT investments.

## Exhibit O Projected Cost Savings

Initiative	FY 04 Savings	FY 05 Savings	FY 06 Savings	6 Year Baseline Benefit
Voice and data telecommunications contract extension (ATM T-1 Circuits)	\$528,000	\$528,000	\$5	\$3,168,000
Conversion of Unix and Oracle contractors to full-time positions	\$132,000	\$132,000	\$1	\$792,000
Efficient tape technology stacking and replacement	\$173,000	\$108,000	\$1	\$713,000
Telecommunications MCI contract (COVANET)	\$1,542,000	\$3,085,000	\$3,0	\$16,967,000
Streamline 1-800 voice services	\$2,000	\$103,000	\$1	\$517,000
Streamline cellular usage	\$524,000	\$1,333,000	\$1,1	\$7,189,000
Storage media reverse auction	\$59,000	\$352,000	\$3	\$1,819,000
SAG software contract renegotiation	\$8,000	\$32,000	\$	\$168,000
<b>Subtotal, Gross Savings</b>	<b>\$2,968,000</b>	<b>\$5,673,000</b>	<b>\$5,1</b>	<b>\$31,333,000</b>

*Note: These figures included calculated savings from a variety of sources including, but not limited to, federal funds, state general fund dollars, and special funds.*

In addition to the above cost savings, VITA's initiatives have resulted in estimated cost avoidances in the areas shown in Exhibit P. VITA has reduced the cost of doing business so that state agencies have been able to avoid paying higher costs for equipment or services they would have otherwise had to purchase.

## Exhibit P Projected Cost Avoidances

Initiative	FY 04 Savings	FY 05 Savings	FY 06 Savings	6 Year Baseline Benefit
Software Licenses	\$495,000	\$615,000	\$615,000	\$3,570,000
Server Acquisitions	\$380,000	\$380,000	\$0	\$760,000
Virginia Partners in Procurement – Hardware and Software	\$8,913,000	\$9,723,000	\$9,723,000	\$57,528,000
Virginia Partners in Procurement – Computer Peripherals and Enterprise Storage	\$0	\$2,821,000	\$2,821,000	\$14,105,000
<b>Subtotal, Cost Avoidance</b>	<b>\$9,788,000</b>	<b>\$13,539,000</b>	<b>\$13,159,000</b>	<b>\$75,960,000</b>
<b>Total, Gross Savings &amp; Cost Avoidance</b>	<b>\$12,756,000</b>	<b>\$19,212,000</b>	<b>\$18,832,000</b>	<b>\$107,296,000</b>

## Quick Wins

In June 2004, the Information Technology Investment Board approved fifteen "quick win" savings initiatives designed to provide cost savings in FY05. These savings initiatives, shown in the following table, will provide \$6.7 million in savings in FY05 that will be used to offset the administrative fee that VITA requires from agencies in order to provide integration support. The majority of these initiatives can be implemented without major difficulty and all but two provide for consolidation and future positioning. The six-year baseline benefit provides over \$66 million of savings and cost avoidance to the Commonwealth. These initiatives are in addition to those shown on the previous page, and will be pursued jointly by VITA and agency teams to promote the move to shared services among Commonwealth agencies.

New FY05 savings initiatives that are currently being implemented are in Exhibit Q below. Selected dollar amounts are known but have been redacted from this public report to protect VITA's ability to negotiate best prices.

### Exhibit Q Quick Win Initiatives

ID	Project Name	FY05	FY06	Six-Year Baseline Benefit	Provides FY05 Cost Savings	Achieves Consolidation & Future Positioning	"Easy" to "Medium" Difficulty
1	Local phone service consolidation	XX	XX	XX	●	●	●
2	Standard core desktop bulk licensing	XX	XX	XX	●	●	●
3	Small server consolidation	XX	XX	XX	●	●	●
4	Contractor conversions	XX	XX	XX	●	●	●
5	VITA Host web based business licensing apps	XX	XX	XX	●	●	
6	Relocate/consolidate mainframe print site	248	1,235	10,995	●	●	
7	Restructure operations shifts & coverage	193	232	1,353	●	●	●
8	Mainframe upgrades	XX	XX	XX	●	●	●
9	Oracle Financials application consolidation	182	516	3,234	●	●	
10	Migrate customers to CoVaNet	170	432	2,825	●	●	●
11	Operations automation - prod control	122	500	3,474	●	●	●
12	ImagePort broadcast fax (VDH)	XX	XX	XX	●		●
13	Relocate 411 to Richmond Plaza	60	147	795	●		●
14	Board of Elections lines consolidation	22	44	242	●	●	●
15	Offsite storage contracts consolidation	XX	XX	XX	●	●	●
<b>Total Savings/Avoidance</b>		7,492	11,025	66,083			
<b>Cost Avoidance</b>		785	1,306	7,331			
<b>Cost Savings</b>		6,707	9,719	58,752			

XX = Savings estimates redacted to preserve future competition

In addition to these quick wins, VITA has identified major re-engineering initiatives that have the potential to provide an additional \$100 - \$165 million in savings over a six-year period. These include:

- State-of-the-art data center with disaster backup;
- Enterprise desktop management;
- Enterprise messaging;
- Enterprise customer care center;

- Electronic government & business transformation;
- Comprehensive statewide network services; and
- Enterprise systems, process, and application management.

Most of these initiatives begin in late fiscal year 2005 and continue through fiscal years 2006 to 2010.

## Expenditure Estimates by Fund

Expenditure estimates by fund have not changed significantly from what was reported in April 2004. The internal service funds estimate has been reduced from \$111.4 million based on January projections to \$110.5 million based on March projections. Exhibit R below includes fund types and estimated expenditures for FY 2004.

**Exhibit R**  
**FY 2004 Expenditure Estimates by Fund**

Fund Type	FY 2004 Expenditure Estimates
General funds	\$7.5 million
Enterprise funds	\$66.1 million
Internal Service funds	\$110.5 million
Special funds	\$2.5 million
<b>Total</b>	<b>\$186.6 million</b>

## Financial Statements

Financial statements for the Virginia Information Technologies Agency as of March 31, 2004, and internal service fund projections through June 30, 2004, are provided on the following pages:

- Combined Balance Sheet for Internal Service Funds (FY 04)—Exhibit S
- Combined Statement of Revenues, Expenses, and Changes in Net Assets for Internal Service Funds (FY 04)—Exhibit T
- Combined Statement of Cash Flows for Internal Service Funds (FY 04)—Exhibit U
- Combined Statement of Revenues, Expenses, and Changes in Net Assets for Enterprise Funds—through March 31, 2004—Exhibit V
- Combined Statement of Revenues, Expenses and Changes in Net Assets for General and Special Revenue Funds—through March 31, 2004—Exhibit W

For Internal Service Funds, financial projections were adjusted since the previous report to account for rate reductions approved by JLARC in June 2004. For all other funds, revenues and expenses are as anticipated.



**Exhibit S**  
**Combined Balance Sheet**  
**Internal Service Funds**

	<u>March 31, 2004</u>	<u>Pro Forma June 30, 2004</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash with Treasurer of Virginia	\$ 17,986,642	\$ 14,097,000
Petty Cash and Travel Advances	8,000	8,000
Accounts Receivable	19,293,897	17,250,000
Due From Other Funds	-	-
Due from Commonwealth of Virginia	-	-
Prepaid Expenses	<u>2,879,309</u>	<u>3,188,000</u>
<b>Total Current Assets</b>	<u>40,167,848</u>	<u>34,543,000</u>
<b>Noncurrent Assets</b>		
Depreciable Capital Assets, Net	<u>19,367,089</u>	<u>17,221,000</u>
<b>Total Assets</b>	<u><u>\$ 59,534,937</u></u>	<u><u>\$ 51,764,000</u></u>
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 8,373,107	\$ 8,470,000
Notes Payable	5,928,640	5,731,000
Advances from Treasurer of Virginia	-	-
Accrued Compensated Absences	1,601,491	1,602,000
Other Deferred Revenue	11,479	10,000
Due to Federal Government	679,200	680,000
Other Liabilities	<u>126,540</u>	<u>127,000</u>
<b>Total Current Liabilities</b>	<u>16,720,457</u>	<u>16,620,000</u>
<b>Noncurrent Liabilities:</b>		
Notes Payable	10,552,021	8,308,000
Accrued Compensated Absences	<u>1,474,163</u>	<u>1,474,000</u>
<b>Total Noncurrent Liabilities</b>	<u>12,026,184</u>	<u>9,782,000</u>
<b>Total Liabilities</b>	<u>28,746,641</u>	<u>26,402,000</u>
<b>Net Assets</b>		
Investment in Capital Assets, Net of Related Debt	6,701,467	6,250,000
Unrestricted	<u>24,086,829</u>	<u>19,112,000</u>
<b>Total Net Assets</b>	<u>30,788,296</u>	<u>25,362,000</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 59,534,937</u></u>	<u><u>\$ 51,764,000</u></u>

**Exhibit T**  
**Combined Statement of Revenues, Expenses, & Changes in Net Assets**  
**Internal Service Funds**

	March 31, 2004	Pro Forma June 30, 2004
<b>Operating Revenues</b>		
Charges for Services	\$ 85,816,484	\$ 110,381,900
Total Operating Revenues	85,816,484	110,381,900
<b>Operating Expenses</b>		
Personal Expenses	21,430,161	28,856,000
Contractual Services	45,957,988	63,250,000
VITA Direct Billing Expenditures	-	415,900
Supplies and Materials	256,726	308,000
Rent, Insurance & Other Related Charges	6,763,138	9,024,000
Depreciation	5,838,572	7,759,000
Expendable Equipment/Improvements	835,675	932,000
Total Operating Expenses	81,082,260	110,544,900
<b>Operating Income (Loss)</b>	4,734,224	(163,000)
<b>Nonoperating Revenues(Expenses)</b>		
Interest	(360,074)	(511,000)
Reimbursement to Federal Government	-	-
Revenue from the Sale of Recyclable Materials	1,125	2,000
Proceed from Insurance Recoveries	9,277	16,000
Sale of Surplus Property	-	-
Loss on Fixed Asset Disposal	-	-
Total Nonoperating Expenses	(349,672)	(493,000)
<b>Income (Loss) Before Transfers</b>	4,384,552	(656,000)
<b>Transfers</b>		
Transfers from Other Funds	-	-
Transfers to the General Fund of the Commonwealth	(56,442)	(442,000)
Transfers from the General Fund of the Commonwealth	-	-
Total Transfers	(56,442)	(442,000)
<b>Increase (Decrease) in Net Assets</b>	4,328,110	(1,098,000)
<b>Total Net Assets, July 1</b>	26,460,186	26,460,000
<b>Ending Total Net Assets</b>	30,788,296	25,362,000

Note: The projected loss as of June 30, 2004, relates to rate reductions implemented in late FY04 and was expected.

**Exhibit U**  
**Combined Statement of Cash Flows**  
**Internal Service Funds**

	<b>March 31, 2004</b>	<b>Pro Forma June 30, 2004</b>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 82,469,075	\$ 109,077,369
Cash Payments to Suppliers for Goods & Services	(7,241,860)	(10,374,912)
Cash Payments for Contractual Services	(45,398,094)	(62,593,213)
Cash Payments to Employees for Services	(21,433,842)	(28,859,335)
Other	<u>10,402</u>	<u>18,614</u>
Net Cash Provided by (Used in) Operating Activities	<u>8,405,681</u>	<u>7,268,523</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Cash Transferred to General Fund of the Commonwealth	(56,442)	(442,000)
Cash Payment to the Federal Government	-	-
(Repayment of) Advances from the Treasurer of Virginia	<u>-</u>	<u>-</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(56,442)</u>	<u>(442,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Sale of Equipment	-	-
Acquisition of Capital Assets	(985,908)	(1,443,153)
Principal Paid on Notes Payable	(3,077,586)	(4,836,341)
Interest Paid on Notes Payable	<u>(360,074)</u>	<u>(511,000)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(4,423,568)</u>	<u>(6,790,494)</u>
Net Increase (Decrease) in Cash	3,925,671	36,029
Cash, July 1	<u>14,068,971</u>	<u>14,068,971</u>
Ending Cash	<u><u>\$ 17,994,642</u></u>	<u><u>\$ 14,105,000</u></u>

**Exhibit V**  
**Combined Statement of Revenues, Expenses, & Changes in Net Assets**  
**Enterprise Funds**  
**For Period Ended March 31, 2004**

Operating Revenues	\$ 50,424,881
Operating Expenses	<u>53,107,070</u>
Operating Income (Loss)	(2,682,189)
Nonoperating Revenues/Expenses	<u>229,622</u>
Income (Loss) Before Transfers	(2,452,567)
Transfers in/(out)	<u>(10,295,098)</u>
Change in Net Assets	(12,747,665)
Total Net Assets, July 1	<u>26,837,223</u>
Total Net Assets, March 31	<u><u>\$ 14,089,558</u></u>

NOTE: The Enterprise Funds are E-911 and VIPNet. E-911 transferred \$9,843,000 and VIPNet transferred \$452,000 to the General Fund of the Commonwealth per the Appropriation Act. The remaining \$2.5 million loss relates to the timing of expenses as compared to revenues and is expected.

**Exhibit W**  
**Combined Statement of Revenues, Expenses, & Changes in Net Assets**  
**General and Special Revenue Funds**  
**For Period Ended March 31, 2004**

	<b>General Funds</b>	<b>Special Revenue Funds</b>
Operating Revenues	\$ 7,519,795	\$ 1,115,755
Operating Expenditures	<u>5,427,056</u>	<u>1,036,031</u>
Operating Income (Loss)	2,092,739	79,724
Nonoperating Revenues/Expenses	<u>-</u>	<u>-</u>
Income (Loss) Before Transfers	2,092,739	79,724
Transfers in/(out)	<u>-</u>	<u>280,000</u>
Change in Net Assets	2,092,739	359,724
Total Net Assets, July 1	<u>-</u>	<u>527,575</u>
Total Net Assets, March 31	<u><u>\$ 2,092,739</u></u>	<u><u>\$ 887,299</u></u>

NOTE: The General funds are for start-up costs and Strategic Management Services. Special Revenue funds are comprised of VGIN, IFA, E-Gov, GIS, Virginia Technology Infrastructure and Federal funds for the generator wiring project.

## Assumptions Used

Revenue and expense projections are based on a variety of assumptions, as detailed below.

### Internal Service Funds

Revenue estimates are based on actual revenues through March 2004 and projected for the remainder of FY 2004. Expense estimates are based upon actual expenses through March 2004 with projections for the remainder of the fiscal year. The most recent monthly data was used to project certain expenses, such as payroll and depreciation. The impact of Integration activities on FY 2004 estimates is considered to be less than one percent of revenues or expenses.

## Other Funds

A legislatively mandated transfer of \$9.8 million out of the E-911 account in Enterprise Funds combined with planned expenditures from fund balances results in an expected net loss.

For general funds, revenues are based upon appropriations. Because the funds must be used in the year appropriated, expenditures will not exceed appropriations at the end of the fiscal year.

At June 30, revenues and expenditures will be close to even for Special Revenue Funds, similar to the results shown for March.

## Cash Flow Projections

Cash flow projections are based upon March 2004 data. VITA is projecting to maintain its positive cash position from FY 2003 through FY 2004.